



The POLICY Project

The Economic Impact of AIDS in Burkina Faso

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AIDS has the potential to create severe economic impacts in many African countries. It is different from most other diseases because it strikes people in the most productive age groups and is essentially 100 percent fatal. The effects will vary according to the severity of the AIDS epidemic and the structure of the national economies. The two major economic effects are a reduction in the labor supply and increased costs:

Labor Supply

- The loss of young adults in their most productive years will affect overall economic output
- If AIDS is more prevalent among the economic elite, then the impact may be much larger than the absolute number of AIDS deaths indicates

Costs

- The direct costs of AIDS include expenditures for medical care, drugs, and funeral expenses
- Indirect costs include lost time due to illness, recruitment and training costs to replace workers, and care of orphans
- If costs are financed out of savings, then the reduction in investment could lead to a significant reduction in economic growth

| LABOR FORCE STATISTICS | | |
|---|--|--------------|
| | Economically Active Labor Force: 1991 | |
| Sector | Aged 10 years & over, '000s | % |
| AGRICULTURE | | |
| Agriculture, hunting, forestry and fishing | 4,293.8 | 92.8 |
| INDUSTRY | | |
| Mining and quarrying industries | 2.6 | 0.05 |
| Manufacturing industries | 51.7 | 1.1 |
| SERVICES | | |
| Electricity, gas and water | 3.8 | 0.08 |
| Construction | 11.0 | 0.23 |
| Trade, restaurants and hotels | 120.3 | 2.6 |
| Transport, storage and communications | 15.0 | 0.32 |
| Finance, insurance, real estate and business services | 2.1 | 0.04 |
| Community, social and personal services | 111.6 | 2.4 |
| Activities not adequately defined | 17.5 | 0.38 |
| TOTAL EMPLOYED | 4,629.4 | 100.0 |
| Unemployed | 99,239 | |
| TOTAL LABOR FORCE | 493,580 | |

- The population of Burkina Faso is heavily dependent on agriculture, which occupies 93% of the economically active population, but contributed only 32% of GDP in 1997. The main cash crop is cotton, which accounted for 51% of total exports in 1997. Subsistence crops include millet, sorghum, maize, and rice. The service sector is the largest sector in monetary terms, accounting for 41% of GDP in 1997, although it employed only 5.4% of

the population in 1991. Recent discovery and development of gold reserves may bring greater quantities of foreign exchange to the country.¹

The economic effects of AIDS will be felt first by individuals and their families, then ripple outwards to firms and businesses and the macro-economy. This paper will consider each of these levels in turn and provide examples from Burkina Faso to illustrate these impacts.

Economic Impact of AIDS on Households

The household impacts begin as soon as a member of the household starts to suffer from HIV-related illnesses:

- Loss of income of the patient (who is frequently the main breadwinner)
 - Household expenditures for medical expenses may increase substantially
 - Other members of the household, usually daughters and wives, may miss school or work less in order to care for the sick person
 - Death results in: a permanent loss of income, from less labor on the farm or from lower remittances; funeral and mourning costs; and the removal of children from school in order to save on educational expenses and increase household labor, resulting in a severe loss of future earning potential.
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- A study by the Food and Agricultural Organisation (FAO) found that the treatment of AIDS patients demanded sacrifices of fowls and small livestock by traditional healers. This will have an effect on the household in the long-term, since these animals are used to barter for food during times of shortages.²
 - Children were withdrawn from school, both because of the lack of finances to pay schooling expenses, and because the children were needed as farm laborers. If children had been orphaned by AIDS, they were withdrawn from school immediately. Significant reductions in nutritional status were also observed.³
 - Migrants from Burkina Faso to Cote d'Ivoire who fell ill with AIDS in Cote d'Ivoire return to their villages to die, after spending their income on medical treatment in Cote d'Ivoire. Thus, although agricultural labor is only lost while taking care of the returned patients, the loss of remittance income has a longer-term effect.⁴
 - In the sample of the FAO study, of the 56 married farmers who died from AIDS, 32 of their wives also died, and 33 widows survived them, in addition to 151 children.

¹ Europa World Year Book 1999, Volume 1 (1999) Europa Publications Limited (London).

² Food and Agricultural Organisation, "The Rural People of Africa Confronted with AIDS: A Challenge to Development," Rome, December 1997, p. 5, 9.

³ Food and Agricultural Organisation, "The Rural People of Africa Confronted with AIDS: A Challenge to Development," Rome, December 1997, p. 7

⁴ Food and Agricultural Organisation, "The Rural People of Africa Confronted with AIDS: A Challenge to Development," Rome, December 1997, p. 9

The surviving widows each had an average of 5 children to bring up, including both their own children and children from co-wives who had died. This will result in economic hardship for these households, as the widows try to provide for all of the children.⁵

- Another study sponsored by the FAO found that remittance income was interrupted, due to impact of HIV/AIDS, which households relied on. The author observed a breakdown of traditions, disorganization of the family unit, and young, inexperienced farmers having to take control of farms. Coping strategies included drawing down on savings, selling animals, and pursuing other income-earning opportunities.⁶
- An ethnographical study in 1996 found that families differed substantially in how well they responded to AIDS patients, depending on their economic status, the composition of the family unit, the fear of contagion, and the fear of gossip. In general, the medical care for the patients in the rural area of Burkina Faso is basically nonexistent.⁷

Economic Impact of AIDS on Agriculture

Agriculture is the largest sector in most African economies accounting for a large portion of production and a majority of employment. Studies done in Tanzania and other countries have shown that AIDS will have adverse effects on agriculture, including loss of labor supply and remittance income. The loss of a few workers at the crucial periods of planting and harvesting can significantly reduce the size of the harvest. In countries where food security has been a continuous issue because of drought, any declines in household production can have serious consequences. Additionally, a loss of agricultural labor is likely to cause farmers to switch to less-labor-intensive crops. In many cases this may mean switching from export crops to food crops. Thus, AIDS could affect the production of cash crops as well as food crops.

- The FAO found that the incidence of HIV/AIDS resulted in a reduction in the production of market gardening, or cash crops, in the provinces of Sanguie and Bulkiemde. Work patterns changed as farmers needed to balance the needs of bed-ridden patients with the needs of the farm; when the patients were particularly ill, fields near the home were worked, in order to allow the worker to return to check on the patient. Significant reductions in overall food production were also experienced,

⁵ du Guerny, J. (1998) "Rural Children Living in Farm Systems Affected by HIV/AIDS: Some issues for the rights of the child on the basis of FAO HIV/AIDS studies in Africa." Speech at UNHCHR Committee on the Rights of the Child: day of discussion on "Children living in a world with AIDS," Geneva, 5 October 1998.

⁶ Black (1997) "Impact du VIH/SIDA sur les systemes d'exploitation agricoles en Afrique de l'Ouest," FAO, Rome.

⁷ Taverne, B (1997) "How to manage HIV seropositive or AIDS patients in rural Burkina Faso?" Sante 1997; 7(3):177-86.

as cash crops do not form a large percentage of overall production there. Declines in net revenue of between 25 and 50 percent were recorded.⁸

- A socio-economic impact study found that one of the mechanisms used in rural Burkina Faso to cope with the effects of HIV/AIDS was to reduce the land under cultivation. Since most farming is not mechanised in Burkina Faso, the labor shortages experienced from increased morbidity and mortality had a major impact on production, especially planting schedules. The smaller the farm unit was, the greater was the impact.⁹

Economic Impact of AIDS on Firms

AIDS may have a significant impact on some firms. AIDS-related illnesses and deaths to employees affect a firm by both increasing expenditures and reducing revenues. Expenditures are increased for health care costs, burial fees and training and recruitment of replacement employees. Revenues may be decreased because of absenteeism due to illness or attendance at funerals and time spent on training. Labor turnover can lead to a less experienced labor force that is less productive.

| Factors Leading to Increased Expenditure | Factors Leading to Decreased Revenue |
|--|--------------------------------------|
| Health care costs | Absenteeism due to illness |
| Burial fees | Time off to attend funerals |
| Training and recruitment | Time spent on training |
| | Labor turnover |

- One study examined fifteen different firms throughout Africa, three of which were identified only as being located in Western Africa. These three firms included a telecommunication firm, an agriculture-based firm that owns and operates a sugar processing plant, and a railway company, providing both passenger and freight rail services. None of the three companies has a formal HIV/AIDS prevention program, although the company physicians in the first two firms both plan on starting one, and the railway company does hold periodic “open house” meetings about HIV/AIDS and its prevention. In general, none of the three companies has felt much of an impact from HIV/AIDS, with only a couple of cases reported in each firm. The agriculture-based company is aware that its workers are at risk due to the migratory nature of some of its labor force; the railway company is aware of the higher risk due to the mobility of its labor force. The telecommunication company is concerned about finding skilled workers to replace current workers, as the company trains its workers, both formally and informally. All three of the companies have the potential of

⁸ Food and Agricultural Organisation, “The Rural People of Africa Confronted with AIDS: A Challenge to Development,” Rome, December 1997, p. 5.

⁹ Black (1997) “Impact du VIH/SIDA sur les systemes d’exploitation agricoles en Afrique de l’Ouest,” FAO, Rome.

experiencing a financial impact should prevalence rates increase, as the employee benefits packages include medical care and funeral expenses.¹⁰

For some smaller firms the loss of one or more key employees could be catastrophic, leading to the collapse of the firm. In others, the impact may be small. Firms in some key sectors, such as transportation and mining, are likely to suffer larger impacts than firms in other sectors. In poorly managed situations the HIV-related costs to companies can be high. However, with proactive management these costs can be mitigated through effective prevention and management strategies.

Impacts on Other Economic Sectors

AIDS will also have significant effects in other key sectors. Among them are health, transport, mining, education and water.

- **Health.** AIDS will affect the health sector for two reasons: (1) it will increase the number of people seeking services and (2) health care for AIDS patients is more expensive than for most other conditions. Governments will face trade-offs along at least three dimensions: treating AIDS versus preventing HIV infection; treating AIDS versus treating other illnesses; and spending for health versus spending for other objectives. Maintaining a healthy population is an important goal in its own right and is crucial to the development of a productive workforce essential for economic development.
 - One study estimates that the lifetime cost for caring for an AIDS patient, including outpatient and hospitalization, could be US\$416. Another study calculated that the amount that a family pays for the lifetime care of an AIDS patient, including traditional medicine, was US\$546. This is about two times the amount of the per capita income in 1993 of US\$290.¹¹
 - Data were collected and analyzed for mortality rates in the Yalgado-Ouedraogo Hospital in Ouagadougou between 1975 and 1992. The mortality rate for adult men, and to some extent for adult women, increased notably after 1987. The increase was attributed to the effect of HIV/AIDS, and further analysis of causes of death confirmed this hypothesis.¹²
- **Transport.** The transport sector is especially vulnerable to AIDS and important to AIDS prevention. Building and maintaining transport infrastructure often involves sending teams of men away from their families for extended periods of time,

¹⁰ Roberts, M and B Rau (1997) "Private Sector AIDS Policy African Workplace Profiles: Case Studies on Business Managing HIV/AIDS," The AIDSCAP Electronic Library (Family Health International/The AIDS Control and Prevention Project, Durham, North Carolina).

¹¹ Comité National de Lutte contre le SIDA/Groupe thématique ONUSIDA. (1997) "La lutte contre le VIH/SIDA et les MST au Burkina Faso."

¹² Harvard school of public health (1994) "Demographic impact of HIV/AIDS in three west African cities II: Ouagadougou/Preliminary report. Harvard, Cambridge, MA.

increasing the likelihood of multiple sexual partners. The people who operate transport services (truck drivers, train crews, sailors) spend many days and nights away from their families. Most transport managers are highly trained professionals who are hard to replace if they die. Governments face the dilemma of improving transport as an essential element of national development while protecting the health of the workers and their families.

- **Mining.** The mining sector is a key source of foreign exchange for many countries. Most mining is conducted at sites far from population centers forcing workers to live apart from their families for extended periods of time. They often resort to commercial sex. Many become infected with HIV and spread that infection to their spouses and communities when they return home. Highly trained mining engineers can be very difficult to replace. As a result, a severe AIDS epidemic can seriously threaten mine production.
- **Education.** AIDS affects the education sector in at least three ways: the supply of experienced teachers will be reduced by AIDS-related illness and death; children may be kept out of school if they are needed at home to care for sick family members or to work in the fields; and children may drop out of school if their families can not afford school fees due to reduced household income as a result of an AIDS death. Another problem is that teenage children are especially susceptible to HIV infection. Therefore, the education system also faces a special challenge to educate students about AIDS and equip them to protect themselves.
- **Water.** Developing water resources in arid areas and controlling excess water during rainy periods requires highly skilled water engineers and constant maintenance of wells, dams, embankments, etc. The loss of even a small number of highly trained engineers can place entire water systems and significant investment at risk. These engineers may be especially susceptible to HIV because of the need to spend many nights away from their families.

Macroeconomic Impact of AIDS

The macroeconomic impact of AIDS is difficult to assess. Most studies have found that estimates of the macroeconomic impacts are sensitive to assumptions about how AIDS affects savings and investment rates and whether AIDS affects the best-educated employees more than others. Few studies have been able to incorporate the impacts at the household and firm level in macroeconomic projections. Some studies have found that the impacts may be small, especially if there is a plentiful supply of excess labor and worker benefits are small.

There are several mechanisms by which AIDS affects macroeconomic performance.

- AIDS deaths lead directly to a reduction in the number of workers available. These deaths occur to workers in their most productive years. As younger, less experienced workers replace these experienced workers, worker productivity is reduced.
- A shortage of workers leads to higher wages, which leads to higher domestic production costs. Higher production costs lead to a loss of international competitiveness which can cause foreign exchange shortages.
- Lower government revenues and reduced private savings (because of greater health care expenditures and a loss of worker income) can cause a significant drop in savings and capital accumulation. This leads to slower employment creation in the formal sector, which is particularly capital intensive.
- Reduced worker productivity and investment leads to fewer jobs in the formal sector. As a result some workers will be pushed from high paying jobs in the formal sector to lower paying jobs in the informal sector.
- The overall impact of AIDS on the macro-economy is small at first but increases significantly over time.
- A World Bank study estimated that the annual direct costs of AIDS in 1992 in Burkina Faso were US\$446,000. The total economic impact, including both direct and indirect costs, was US\$8.4 million.¹³

What Can Be Done?

AIDS has the potential to cause severe deterioration in the economic conditions of many countries. However, this is not inevitable. There is much that can be done now to keep the epidemic from getting worse and to mitigate the negative effects. Among the responses that are necessary are:

- **Prevent new infections.** The most effective response will be to support programs to reduce the number of new infections in the future. After more than a decade of research and pilot programs, we now know how to prevent most new infections. An effective national response should include information, education and communications; voluntary counseling and testing; condom promotion and availability; expanded and improved services to prevent and treat sexually transmitted diseases; and efforts to protect human rights and reduce stigma and discrimination. Governments, NGOs and the commercial sector, working together in a multi-sectoral

¹³ Comité National de Lutte contre le SIDA/Groupe thématique ONUSIDA. (1997) "La lutte contre le VIH/SIDA et les MST au Burkina Faso."

effort can make a difference. Workplace-based programs can prevent new infections among experienced workers.

- **Design major development projects appropriately.** Some major development activities may inadvertently facilitate the spread of HIV. Major construction projects often require large numbers of male workers to live apart from their families for extended periods of time, leading to increased opportunities for commercial sex. A World Bank-funded pipeline construction project in Cameroon was redesigned to avoid this problem by creating special villages where workers could live with their families. Special prevention programs can be put in place from the very beginning in projects such as mines or new ports where commercial sex might be expected to flourish.
- **Programs to address specific problems.** Special programs can mitigate the impact of AIDS by addressing some of the most severe problems. Reduced school fees can help children from poor families and AIDS orphans stay in school longer and avoid deterioration in the education level of the workforce. Tax benefits or other incentives for training can encourage firms to maintain worker productivity in spite of the loss of experienced workers.
- **Mitigate the effects of AIDS on poverty.** The impacts of AIDS on households can be reduced to some extent by publicly funded programs to address the most severe problems. Such programs have included home care for people with HIV/AIDS, support for the basic needs of the households coping with AIDS, foster care for AIDS orphans, food programs for children and support for educational expenses. Such programs can help families and particularly children survive some of the consequences of an adult AIDS death that occur when families are poor or become poor as a result of the costs of AIDS.

A strong political commitment to the fight against AIDS is crucial. Countries that have shown the most success, such as Uganda, Thailand and Senegal, all have strong support from the top political leaders. This support is critical for several reasons. First, it sets the stage for an open approach to AIDS that helps to reduce the stigma and discrimination that often hamper prevention efforts. Second, it facilitates a multi-sectoral approach by making it clear that the fight against AIDS is a national priority. Third, it signals to individuals and community organizations involved in the AIDS programs that their efforts are appreciated and valued. Finally, it ensures that the program will receive an appropriate share of national and international donor resources to fund important programs.

Perhaps the most important role for the government in the fight against AIDS is to ensure an open and supportive environment for effective programs. Governments need to make AIDS a national priority, not a problem to be avoided. By stimulating and supporting a broad multi-sectoral approach that includes all segments of society, governments can create the conditions in which prevention, care and mitigation programs can succeed and protect the country's future development prospects.